Brown, Brian (TM)

From: TMFeedback
Sent: Friday, January 07, 2011 5:16 PM
To: Brown, Brian (TM)
Subject: FW: Small Business Study
Attachments: CCIA Comments-TMLitigTactics.pdf

From: Matt Schruers [(b)(6)
Sent: Friday, January 07, 2011 4:49 PM
To: TMFeedback
Subject: Small Business Study

To whom it may concern:

Attached are comments on behalf of the Computer & Communications Industry Association (CCIA) in regard to the Oct. 13, 2010 request for comments on trademark litigation tactics. Thank you for your consideration. Please let me know if CCIA may furnish any additional information.

Regards,

Matthew Schruers
Vice President, Law & Policy
Computer & Communications Industry Association
(b)(6)

Before the
Department of Commerce
U.S. Patent & Trademark Office
Alexandria, Virginia

In re

Request for Comments on Trademark Litigation Tactics and Experiences with Trademark "Bullies" (Small Business Study)

RESPONSE OF
COMPUTER & COMMUNICATIONS INDUSTRY ASSOCIATION

Pursuant to the request for comments issued by the United States Patent and Trademark Office (USPTO) on October 13, 2010,[1] the Computer & Communications Industry Association (CCIA) submits the following response on trademark litigation tactics.

CCIA represents large, medium and small companies that participate in the Internet, information, and communications technology industries, including computer hardware and software, electronic commerce, telecommunications and Internet products and services. CCIA members represent more than $200 billion in annual revenues.

In response to the questions set forth in the initial request, CCIA replies as follows:

1. Please identify whether you are a trademark owner or practitioner, and the general size and nature of your business or trademark practice, including the number of trademark applications and registrations your business has, or your practice handles. Please note that the USPTO will fully consider any comments you submit, even if you choose not to identify yourself in a particular manner.

CCIA is a trademark owner, holding registrations in, *inter alia*, the name of the association and the association's distinctive logo. As a mission driven, non-profit trade association CCIA is not generally engaged in the use in commerce of registered marks beyond those activities aimed at advancing the association's mission, and the related interests of industry and consumers. The comments submitted below are informed by the association's activities

[1] *Request for Comments: Trademark Litigation Tactics*, http://www.uspto.gov/trademarks/bullies_survey.jsp

advocating on behalf of and advising businesses in the Internet, information, and communications technology industry. CCIA members are holders of valuable marks, but also provide various products and services, such as e-commerce platforms, where the marks of others may be used in incidental and nominative fashions. Similarly, CCIA members provide communication services where trademarked goods and services may be discussed, at times even in generic fashion. Accordingly, CCIA members and the consumers that they serve both benefit from and are regulated by the trademark system. CCIA therefore has a substantial interest in the proper and balanced administration of trademark rights.

Questions 2-5.

As specified above, CCIA does not generally enforce or defend trademark rights in litigation, or via cease-and-desist letters, nor does CCIA generally engage in practice before the Trademark Trial and Appeals Board.

6. Do you think trademark "bullies" are currently a problem for trademark owners, and if so, how significant is the problem?

Efforts designed to limit legitimate secondary sales of goods, restrict parallel importation where not prohibited by law, control competitive aftermarkets, or restrict public discourse about trademarks or mark holders are a problem worthy of consideration by the USPTO. These efforts may constitute trademark misuse and in some cases can be fairly characterized as bullying.[2]

[2] These comments employ "misuse" instead of "bullying." The power disparity connoted by "bullying" may by extension exclude otherwise unreasonable disputes between equally empowered entities, such as two similarly resourced individuals, small businesses, or large companies. While trademark misuse may occur more frequently where there are disparities in relative power, the assessment of trademark misuse should not be so artificially cabined. As the USPTO is undoubtedly aware, small entities can also engage in persistent and vexatious litigation. *See* Colin Moynihan, "He Says He Owns the Word 'Stealth' (Actually, He Claims 'Chutzpah,' Too)," N.Y.Times, July 4, 2005, *available at* < http://www.nytimes.com/2005/07/04/business/04stealth.html> (discussing Leo Stoller case). Although the definition proposed by the USPTO is not artificially restricted to exclude smaller entities, *see* Request for Comment, n.1, "misuse" is also preferable since it is an objective concept that crosses most other fields of intellectual property.

While Question 6 is posed only in terms of trademark owners, trademark misuse poses a problem for trademark holders, their competitors, and the consuming public alike. Properly functioning rights are essential to the perceived legitimacy of the intellectual property system, and trademark rights depend on some degree of voluntary compliance by the public with the Lanham Act. Given the likely relationship between credibility and compliance, the delegimization of trademark resulting from unbalanced protection threatens all stakeholders in the trademark system.

Balanced trademark policy is also crucial to fostering continued growth of the Internet as a communications and e-commerce platform. Presently, e-commerce and online communications services make an extraordinary contribution to the U.S. economy. According to the National Economic Council, experts estimate the Internet adds $2 trillion to annual GDP, over $6,500 per person.[3] This contribution comes in part from commerce between small businesses and individuals. Online e-commerce platforms enable individuals to sell their own wares as well as re-sell goods they have acquired, and online comparative shopping – often supported by keyword advertising – promotes consumer welfare by enabling the public to make informed purchasing decisions. Thus, while mark holders may be expected to protect their marks in the online environment just as they do in real space, these rights should not be used to deny consumers functionalities that enable better decision-making and savvier shopping, or to restrict communication involving incidental or nominative uses – regardless of whether doing so is in the economic interest of the mark holder. Similarly, while mark holders may be expected to pursue disputes resolution processes or to litigate when confronted with domain names that are confusingly similar to registered marks, it disserves the ends of the Lanham Act if trademarks are

[3] Exec. Ofc. of the President, Nat'l Econ. Council/OSTP, *A Strategy for American Innovation: Driving Towards Sustainable Growth and Quality Jobs*, Sept. 2009, at 5, *available online at* http://www.whitehouse.gov/administration/eop/nec/StrategyforAmericanInnovation.

used to suppress online expression.[4] In CCIA's view, examples of misconduct involving trademarks illustrate the need for proper latitude for nominative and incidental uses, limited intermediary liability with respect to trademarks, and penalties for misuse sufficient to deter misconduct.

7. Do you think aggressive litigation tactics are more pervasive in the trademark area than in other areas of the law?

While empirical evidence on this matter is lacking, the intersection of trademark rights and free expression is frequently documented in judicial opinions[5] and media accounts.[6] Although not always as newsworthy, but equally important, trademark and certain aspects of copyright may be a source of anti-competitive activity as well. As highlighted most recently by the Supreme Court's consideration of *Omega, S.A. v. Costco Wholesale Corp.*,[7] an aggressive IP strategy may play a successful role in limiting legitimate competition in the marketplace.

The frequency of trademark misuse may be driven by several factors that render trademark unique from other types of intellectual property and other areas of the law. The existence of the abandonment defense, whereby a mark holder may lose all rights against the world, and mark holder concerns regarding genericization likely motivate aggressive litigation tactics. Unfortunately, these factors may also provide a fig leaf to justify overly aggressive brand protection tactics not reasonably calculated to prevent consumer confusion.

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[4] While courts have frequently declined to find infringement in cases involving communicative domains that include trademarks, exceptions exist, and of course many domain name users lack resources to litigate. *See generally* Jonathan Band & Matthew Schruers, *Toward a Bright-Line Rule on [Trademark]sucks.com*, COMPUTER & INTERNET LAWYER (July 2003), *available at* http://www.policybandwidth.com/doc/JBand-TrademarkSucks.pdf.

[5] *See, e.g.*, *Mattel, Inc., v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002); *Yankee Publ'g, Inc. v. News Am. Publ'g. Inc.*, 809 F. Supp. 267 (S.D.N.Y. 1992).

[6] "North Face, South Butt reach settlement in lawsuit," Associated Press, Apr. 9, 2010, *available at* <http://www.businessweek.com/ap/financialnews/D9EVP1TG0.htm>; Laura Bassett, "Susan G. Komen Foundation Elbows Out Charities Over Use Of The Word 'Cure'", Huffington Post, Dec. 7, 2010, *available at* http://www.huffingtonpost.com/2010/12/07/komen-foundation-charities-cure_n_793176.html.

[7] 541 F.3d 982 (9th Cir. 2008), *aff'd per curiam*, No. 08-1423 (Dec. 13, 2010).

8. Do you think the USPTO has a responsibility to do something to discourage or prevent trademark bullying? If yes, what should the USPTO do?

As the expert agency, the USPTO should view the prevention of misuse of all rights that it administers, including trademark rights, as central to its mission. Preventing misuse advances the proper functioning of an IP-driven marketplace, and promotes the perceived legitimacy of trademark rights. Addressing misuse thus should generally contribute to economic Progress.

At the outset, a more concrete understanding of "bullying" is necessary. These comments opine that misuse is a more objective, manageable framework for approaching the problem, where trademark misuse would depend on whether enforcement efforts were so extreme as to be not supported by existing law, and not reasonably calculated to prevent consumer confusion. Provided that there exists a concrete understanding of misuse, the USPTO could propose legislative language to Congress designed to deter misconduct without inhibiting a mark holder's legitimate defense of distinctive marks.

CCIA understands that eBay proposes that the USPTO maintain a hotline and a database which may be used by victims of bullying. Such efforts would certainly assist individuals and small businesses in understanding their rights and obligations under federal trademark law.

9. Do you think the U.S. courts have a responsibility to do something to discourage trademark bullies? If yes, what should the U.S. courts do?

Misuse doctrines in all areas of IP are generally underdeveloped. So long as a mark holder may be penalized due to under-enforcement (via laches, acquiescence, and abandonment doctrines) but not penalized due to over-enforcement, aggressive tactics should be expected. While it is in consumers' interest that distinctive marks are defended to avoid consumer confusion in the marketplace, few constraints save Fed. R. Civ. P. 11 and the rare case of fee-shifting exist to provide an upper boundary for what constitutes proper brand protection. In cases involving egregious violations of Rule 11, courts frequently dismiss claims with prejudice,

and intellectual property rights should be no exception. In particularly abusive, "objectively unreasonable" cases, fee-shifting is also an appropriate remedy.[8] Yet absent action by Congress, federal courts are limited in their ability to properly deter misuse, as existing judicial remedies do not sufficiently deter misconduct.

10. What other U.S. agencies may have a responsibility to do something about the problem?

Because many smaller litigants may lack the resources to litigate to a point where existing judicial remedies would operate, trademark misuse will be under-policed. In addition to the USPTO, the Federal Trade Commission may have a role to play in certain cases. The demonstrated competence of the FTC in intellectual property matters makes it an appropriate entity to police rights misuse, and Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, appears to provide the Commission with sufficient remedies to respond to abusive conduct.

In 2007, CCIA and others complained to the FTC regarding copyright warnings placed on certain televised sporting events, DVDs, and printed books, alleging that these warnings misled consumers and thereby constituted unfair and deceptive acts or practices in or affecting commerce, as defined by Section 5 of the FTC Act. The FTC declined to undertake formal action, but did not take the position that Section 5 did not reach such activity. The FTC also noted that copyright owners are not "entitled to engage in deceptive and unfair practices to protect their copyrighted works against infringement", citing its 2007 settlement with Sony BMG regarding the surreptitious installation of copy protection software on consumers' computers. The FTC also observed the importance of "the general issue of representations to consumers about the scope of their rights to use copies of works they purchase", and "encourage[d] copyright owners to be accurate in their characterizations of their rights". The Commission

[8] *Mattel Inc. v. Walking Mountain Productions*, 353 F.3d 792 (9th Cir. 2003), *fees and expenses assessed on remand*, 2004 U.S. Dist. Lexis 12469 (C.D. Cal. June 24, 2004).

added that "if consumers routinely confront exaggerated and inaccurate copyright warnings they may tend to disregard them altogether, to the detriment of consumers and copyright owners alike."[9] These observations apply with equal force to trademark. Bullying individuals, small businesses, or intermediaries – particularly where undertaken to improperly extend the trademark right – may constitute an unfair or deceptive business practice, and may thus be policed in appropriate cases by the FTC.

11. Do you think Congress has a responsibility to do something to discourage or prevent trademark bullying? If yes, what should Congress do?

For the same reasons cited in response to Question 8, Congress should undertake to prevent rights misuse, as existing judicial remedies and Rule 11 sanctions appear to be insufficient. With sufficient input from agencies and stakeholders, Congress could fashion a predictable misuse defense with a sufficiently robust penalty that would deter misconduct without impairing the reasonable defense of marks. In fact, a properly defined defense may, by negative implication, assist trademark holders in understanding the proper bounds of brand protection.

Respectfully submitted,

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[9] Letter from Mary K. Engle, Federal Trade Comm'n, to Computer & Communications Indus. Ass'n (Dec. 6, 2007), *available at* www.ftc.gov/os/closings/staff/071206ccia.pdf.